



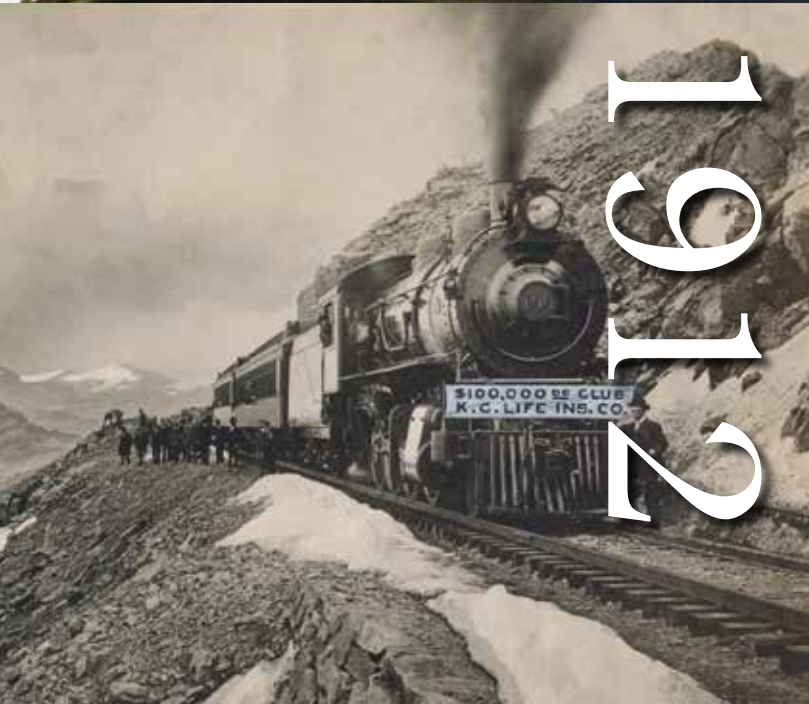
# 120 Years Proud



KANSAS CITY LIFE

**Kansas City Life Insurance Company**

2015 Annual Report





My fellow shareholders,

I am pleased to share with you Kansas City Life Insurance Company's results for 2015. Notable achievements during the year were highlighted by a significant change in our organization. In December 2015, the Company completed a transaction that allowed us to deregister from the Securities and Exchange Commission (SEC).

Through the reverse/forward stock-split transaction that occurred in December of 2015, the Company purchased approximately 9% of the outstanding shares for \$47.6 million. The primary purpose of this transaction was to allow the Company to voluntarily deregister from the SEC and to delist our common stock from the NASDAQ Capital Market. Subsequently on January 4, 2016, Kansas City Life began trading on the OTCQX best marketplace. The decision was based upon numerous factors, including the significant cost savings to be realized with no longer filing periodic reports with the SEC. The successful completion of this transaction enables the Company to focus more of our attention on long-term growth initiatives.

Net income in 2015 totaled \$29.2 million, down slightly from \$30.0 million in 2014. Kansas City Life was nearly able to match 2014 net income, despite significant volatility in the financial markets and continued pressure from the low interest rate environment. The Company was able to increase premiums from our traditional life insurance products, largely due to record sales from Old American Insurance Company, and reduced benefits and expenses also contributed significantly to the results.

The prolonged low interest rate environment and volatility in the financial markets continue to provide many challenges to all financial institutions, as well as to consumers. To meet the changing needs of policyholders, Kansas City Life continually enhances a wide spectrum of products. The Company's suite of universal life, variable life, whole life, return of premium and term insurance products offers consumers many options for today's environment, as well as the ability to adjust to future changes in the marketplace.

We are excited to begin our 13th decade of service and commitment to our policyholders and customers, what we refer to as Security Assured. Each year provides opportunities for Kansas City Life, our general agents and agents to demonstrate this and we sincerely value the trust our clients place in us through the selection of our products. We look forward to the opportunity to serve those who count on us in 2016 and beyond.

A handwritten signature in dark ink, appearing to read "R. Philip Bixby". The signature is fluid and cursive, written over a light-colored background.

— **R. Philip Bixby**  
*President, Chief Executive Officer  
and Chairman of the Board*



### **Kansas City Life Insurance Company**

Since 1895, Kansas City Life Insurance Company ([www.kclife.com](http://www.kclife.com)) has been dedicated to the present and future financial security of our customers. Kansas City Life provides financial services, including life insurance and investments\*, to consumers throughout 48 states and the District of Columbia. More than 2,500 general agents and agents serve individuals, families, small businesses and corporations with a diverse range of products, including universal life, term life, whole life, variable life insurance,\* variable annuities,\* fixed deferred annuities and group products. Kansas City Life has been providing Security Assured for more than 120 years.



### **Old American Insurance Company**

Since 1939, the mission of Old American Insurance Company ([www.oaic.com](http://www.oaic.com)) has been to provide peace of mind to our market and, in turn, enhance the quality of life for policyholders and their beneficiaries. Agents assist individuals ages 50 to 85 through final arrangements planning, charitable giving life insurance, Social Security and retirement income replacement insurance. In addition, Old American targets individuals ages 20 to 65 with our Level Term 20 life insurance product. Old American operates in 47 states and the District of Columbia.



### **Sunset Financial Services Inc.\***

Sunset Financial Services Inc. is the distributing broker/dealer for Kansas City Life's line of variable annuity and variable universal life products.



### **Sunset Life Insurance Company of America**

Sunset Life Insurance Company of America ([www.sunsetlife.com](http://www.sunsetlife.com)) was originally founded in 1937. Kansas City Life purchased Sunset Life in 1974 and its operations were consolidated into the Company's Home Office in 1999. The Sunset Life sales force was integrated into the Kansas City Life sales force in 2006.

### **Financial Ratings, evaluated by A.M. Best**

**Kansas City Life Insurance Company: A (Excellent; Stable Outlook)**

**Old American Insurance Company: A- (Excellent; Stable Outlook)**

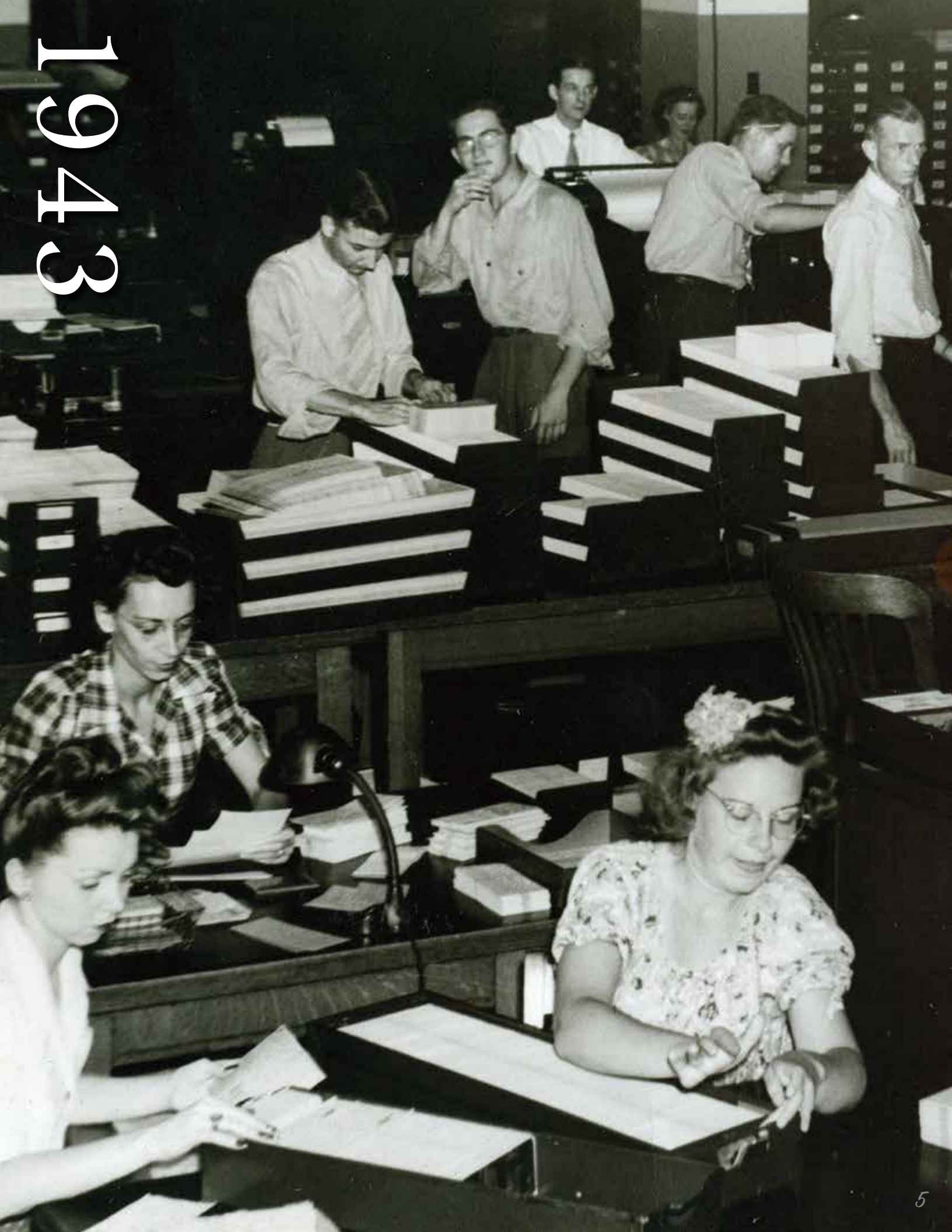
**Sunset Life Insurance Company: A- (Excellent; Stable Outlook)**

These ratings represent A.M. Best's opinion of the financial strength and stability of Kansas City Life, Old American and Sunset Life Insurance Companies and each company's ability to meet ongoing obligations to policyholders, as of June 2015.

*There are 13 financial strength ratings assigned by A.M. Best, ranging from A++ (Superior) to D (Poor).*

*\*Kansas City Life's variable product series is distributed through Sunset Financial Services Inc. Member FINRA.*

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# A Look Back

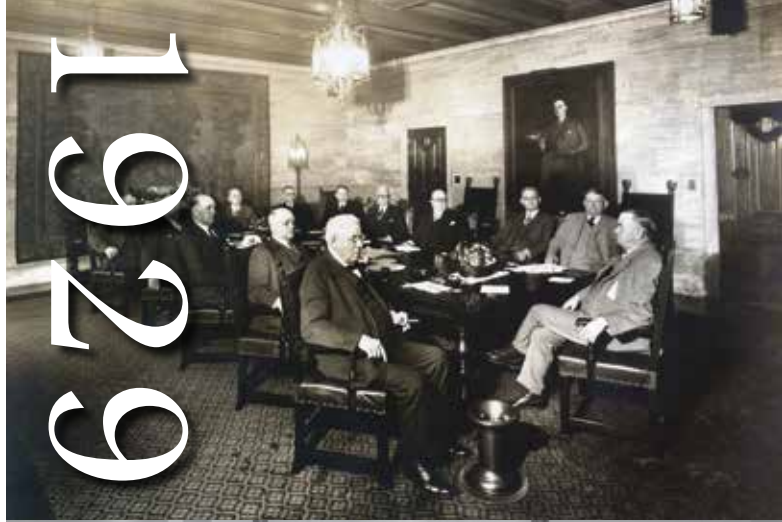
Kansas City Life Insurance Company is a sturdy institution built for the ages and tended with care to serve the purpose for which it was founded. Kansas City Life proudly protects the vital financial needs of individuals, families and businesses from coast to coast. The Company has never lost sight of the tremendous responsibility we have to our shareholders, policyowners, field force and Home Office associates. From the moment Kansas City Life opened its doors 120 years ago, the Company has been dedicated to providing quality service along with competitive products.

On May 1, 1895, Kansas City Life was organized and began issuing policies in amounts of \$1,000 to \$5,000. During the first year, the first death claim was paid November 5, 1895.

Problems occurred for Kansas City Life during the First World War – the drain on staffing combined with an influenza epidemic nearly caused the Company to close. Despite wartime challenges, the Company continued to grow and prosper, and in 1924, the Company dedicated a building that still serves as the Home Office today.

Kansas City Life retained its position as an industry leader in spite of the 1929 stock market crash. Although the 1930s brought hardships to the American people, no Kansas City Life associates lost jobs because of the Great Depression.

Just as the country was getting back on its feet, the threat of war loomed on the horizon. Many Kansas City Life agents and Home Office associates or family members marched off to war while those at home pitched in to support agencies such as the Red Cross. During the World War II years, American families achieved unprecedented savings, most of which were in war bonds, life insurance and savings bonds.





By 1955, the Company's 60th year, the country's economy was strong and the middle-income family was emerging more than ever before. With that came their need for financial protection.



The 1970s brought great controversy during the war in Vietnam, the Watergate crisis and the worst recession in 40 years. Kansas City Life, however, prospered due in part to public concern about unemployment and pensions. Enactment of the Employee Retirement Income Security Act in 1974 (ERISA) made people aware of the advantages of tax-sheltering part of their income for retirement purposes. Kansas City Life quickly moved into this market with products for IRAs and HR-10 plans.



Consumers showed continued faith in the importance of life insurance, but the public's needs were changing, and Kansas City Life addressed those advantages of current high interest rates and the need for greater flexibility in product design. Universal life was the product of the 1980s and, by 1984, it was Kansas City Life's top-selling product. As the economic boom began to wane, corporate takeovers took their toll on some of the nation's largest corporations. In November 1988, Kansas City Life survived an unsolicited buyout attempt thanks to a solid front by the Bixby family.



One of the most important strides of the 1990s was the acquisition of Old American Insurance Company in 1991, which provides life insurance to the senior market.

The housing market crash of 2008 brought with it an economic recession; and the low interest rate environment continues today. But through these challenging economic times, Kansas City Life continues to persevere and provide quality financial protection to policyowners through life insurance and annuity products.

The promise of Security Assured has been a 120-year tradition at Kansas City Life. The goal of this mission is to not only safeguard individuals, families and businesses against the unpredictability of life, but it is also the foundation on which the Company was built.



1895

From the beginning, Kansas City Life has been a “people” company, one in which our people serve the needs of others. The business philosophy is put into practice every day, and it has been a primary reason for our growth and success. Indeed, it remains the way we do business today; 120 years after the first policy was sold.

Kansas City Life is proud of the integrity, wisdom and leadership of those who have guided our Company since 1895. We are equally proud of the individual associates who have helped us become both an industry leader and the Company of choice for so many people across America.

It is Kansas City Life’s commitment to sound business practices, integrity and financial strength that has made our Company into what it is today. These notions are the cornerstone of our business philosophy as we seek to maintain consistent, long-term profitable growth.

The Kansas City Life Group of Companies enjoyed a solid sales year in 2015, with life insurance sales tracking industry life insurance sales. With some strategic organizational changes during the year, our Company is positioned to further grow our life insurance sales in 2016.

### Individual Insurance

Kansas City Life’s Individual Insurance segment provides financial security to consumers in 48 states. Life insurance products are distributed through two channels: the Company’s field force and through third-party marketing arrangements. The Individual Insurance segment consists of individual insurance products for both Kansas City Life and Sunset Life.

### Company’s field force

The Company’s field force is represented by independent agencies, which are operated by general agents and agents across the U.S. and in certain locations in Europe. Kansas City Life provides each agency with an ever-growing product portfolio and marketing support necessary to succeed in servicing consumers in their local markets.

The Company’s expanding product portfolio and individual one-on-one support from the Home Office are attractive recruiting resources, setting Kansas City Life apart from many in the industry.

### Third-party alliances

Independent arrangements with American Republic Insurance Company, GuideOne Mutual Insurance Company and AmeriLife Group LLC allow representatives from all three companies to distribute Kansas City Life’s products. These agreements provide representatives with the complementary products and services they need to offer more complete financial security to their clients.

### Life insurance sales

Life insurance sales and new business production at Kansas City Life are measured by new premiums recorded and new deposits received. Premiums include receipts from traditional individual life insurance and immediate annuity products. Deposits are received from universal life insurance, variable universal life insurance and fixed deferred and variable annuity products.



The Individual Insurance segment generated approximately 50% of consolidated insurance revenues for the year ended December 31, 2015, compared to 53% and 58%, respectively, for the years ended December 31, 2014 and 2013. In addition, this segment provided 89% of consolidated net income for the year ended December 31, 2015, compared to 92% and 85%, respectively, for the years ended December 31, 2014 and 2013.

Total new deposits decreased \$12.6 million or 15% in 2015 compared to 2014. Included in these results was a \$2.2 million or 20% increase in new universal life deposits. Offsetting this was a \$13.4 million or 41% decrease in new variable annuity deposits as well as decreases in new fixed annuity deposits and new variable universal life deposits. Total renewal deposits decreased \$8.2 million or 5% in 2015 compared to the prior year, as an increase in universal life renewal deposits was offset by decreases in variable universal life, fixed annuity and variable annuity renewal deposits.

### **Future growth**

The Individual Insurance segment is an essential part of Kansas City Life's core business, representing a majority of the Company's revenue and net income. The Company plans to continue to grow the segment by recruiting talented general agents and agents and by adding more third-party alliances. Enhancements to the vast product portfolio, increased focus on sales development and superior marketing support are elements that will be emphasized to attract new field representatives.

### **Group Insurance**

Kansas City Life offers several insurance products in the Group Insurance segment, including dental, life, vision, and short and long term disability. These offerings encompass both traditional, employer-funded group insurance, as well as voluntary, employee-paid products.

The Group Insurance segment markets products primarily to small and mid-size organizations. Group products are sold through sales representatives who target a nationwide network of independent general agents and group brokers, along with the Company's career general agents. This sales network is this segment's core distribution system. The Company also markets Group products through select third-party marketing arrangements.

The Group Insurance segment generated 20% of the Company's consolidated insurance revenues in 2015, unchanged from 2014. Total Group premiums decreased by \$3.1 million or 4% in 2015, following a \$3.8 million or 6% increase in 2014. Moving forward, the Group Insurance segment continues to focus on three primary areas of emphasis to improve sales:

1. Growing in-force business through the Company's sales representatives and select third-party marketing arrangements
2. Improving administrative efficiency through greater use of customer-facing technology, designed to reduce expenses and improve customer service
3. Enhancing the segment's product portfolio, through delivery of new product offerings and more flexible options to meet the dynamic needs of the employee benefits market.

### **Sunset Financial Services Inc.**

Kansas City Life's distributing broker/dealer for its proprietary line of variable annuity and variable universal life products.



As the senior segment of the United States population continues to grow, so too does the demand for final expense products. It is no wonder Old American Insurance Company has also seen growth in sales during the past few years. Old American is proud to provide products that service this growing segment – the senior market.

Old American was founded in 1939 by Thomas McGee and remained under McGee ownership until the 1980s, when ownership changed hands twice before starting its next chapter after being purchased by Kansas City Life Insurance Company in 1991. Throughout the Company's history, for more than 75 years, our mission has remained steadfast – to provide present and future peace of mind to the senior market and, in turn, enhance the quality of life for both our policyholders and their beneficiaries. Old American carries out this mission with products that are designed to cover the necessary costs following the death of

a loved one. These funds also provide comfort to surviving family members, knowing that money will be available for ongoing expenses.

The year 2015 was a record-breaking year for Old American, with nearly \$19 million in life insurance sales, up from approximately \$17.5 million in 2014.

Old American accounted for 63% of Kansas City Life Insurance Company's consolidated individual life premiums and had an 11% increase in new premiums during 2015.

Old American continues to focus on the recruitment and development of new agencies and agents, along with generating improved production from existing agencies and agents. Old American is committed to continuing its growth into the future and looks to product innovation, recruiting expansion and productivity to drive it.

Presently, Old American has more than \$1 billion of life insurance in force. We operate in 47 states and the District of Columbia and currently serve nearly 200,000 policyholders.

Looking forward, Old American aims to build upon its solid foundation and its sustained growth to continue to best serve its policyholders.



## Old American Insurance Company's beginnings were quite modest –

a desk in the offices of Thomas McGee & Sons Insurance Agency, a successful general insurance agency that was started in 1910 by Thomas McGee. The Company was organized by the principal partners of the agency, and Thomas McGee was the first Company president. Old American incorporated on December 11, 1939 and officially commenced business on December 30, 1939.

Company operations were based on the philosophy that no one should be considered uninsurable simply on the basis of age. So from the beginning, products and marketing efforts were directed primarily to the age group currently designated as the “senior market.”

At first, the Company sold only limited accident insurance policies to people ages 60 – 85. In a few years, Company officials recognized their selected market also had a specific need for life insurance. As a result, Old American began to shift its business to life insurance. Today, the Company no longer offers accident policies; however, a number of these policies are still in force and being administered.

Although Old American's primary life insurance product line has changed throughout the years, the general product concepts have remained. Today, the Company offers the Peace of Mind product line, which has been enhanced with several value-added services including the Peace of Mind Planning Guide, Living Will and Final Arrangements Guide.

After ownership changing hands twice – from the McGee family to CenTrust and then on to the Resolution Trust Corporation – in the 1980s, Old American found its home at Kansas City Life Insurance Company when it was purchased in 1991. For the past 25 years, Old American has operated as a subsidiary of Kansas City Life out of the Home Office in Kansas City, Missouri.



# Senior Officers

## **Kansas City Life Insurance Company**

R. Philip Bixby  
President, Chief Executive  
Officer and Chairman  
of the Board

Walter E. Bixby, LLIF  
Executive Vice President and  
Vice Chairman of the Board

Tracy W. Knapp  
Senior Vice President, Finance

Donald E. Krebs, MSM, CLU,  
ChFC, LLIF  
Senior Vice President,  
Sales and Marketing

A. Craig Mason Jr.  
Senior Vice President, General Counsel  
and Secretary

Mark A. Milton, FSA, CERA, MAAA  
Senior Vice President and Actuary

Stephen E. Ropp  
Senior Vice President, Operations

Aaron L. Bush  
Vice President, Corporate Actuary

Robert M. Fisher, CPA, CITP  
Vice President, Information Technology

Timothy W. Knott  
Vice President, Group

David A. Laird, CPA, FLMI  
Vice President and Controller

John L. Nogalski, CPA, FLMI  
Vice President, Taxes

Richard D. Ropp, FLMI, ACS  
Vice President, Customer Services  
and Claims

Dan L. Schick, CPA, CLU, FLMI  
Vice President and Auditor

Philip A. Williams, CFA  
Vice President, Securities

## **Old American Insurance Company**

R. Philip Bixby  
Chairman of the Board

Walter E. Bixby, LLIF  
President

Robert M. Fisher, CPA, CITP  
Vice President, Information Technology

Tracy W. Knapp  
Chief Financial Officer

David A. Laird, CPA, FLMI  
Vice President and Controller

Timothy J. Langland, JD, CLU, FLMI  
Vice President, Associate General  
Counsel and Secretary

Richard D. Ropp, FLMI, ACS  
Vice President, Customer Services  
and Claims

Stephen E. Ropp  
Vice President, Operations

Benton T. Summers, CLU, ChFC  
Vice President, Sales

## **Sunset Life Insurance Company of America**

R. Philip Bixby  
President and Chairman of the Board

Walter E. Bixby, LLIF  
Vice Chairman of the Board

Donald E. Krebs, MSM, CLU,  
ChFC, LLIF  
Vice President, Sales and Marketing

David A. Laird, CPA, FLMI  
Vice President and Controller

Mark A. Milton, FSA, CERA, MAAA  
Vice President and Actuary

Richard D. Ropp, FLMI, ACS  
Vice President, Policy Administration

Scott E. Harvison, JD  
Secretary

Kansas City Life  
Insurance Company

Old American Insurance Company

Sunset Financial Services Inc.

Sunset Life Insurance  
Company of America

Home Office  
3520 Broadway  
Kansas City, MO 64111  
816-753-7000

Visit us on the Internet:  
[www.kclife.com](http://www.kclife.com)  
[www.oaic.com](http://www.oaic.com)  
[www.sunsetlife.com](http://www.sunsetlife.com)

1959



**Kevin G. Barth**

President and Chief Operating Officer  
Commerce Bank  
Kansas City, Mo.

**R. Philip Bixby**

President, Chief Executive Officer and  
Chairman of the Board  
Kansas City Life Insurance Company  
Kansas City, Mo.

**Walter E. Bixby, LLIF**

Executive Vice President and  
Vice Chairman of the Board  
Kansas City Life Insurance Company  
President  
Old American Insurance Company  
Kansas City, Mo.

**William R. Blessing**

Retired Senior Vice President, Corporate  
Strategy and Development  
Embarq  
Overland Park, Kan.

**Michael Braude**

Retired President and  
Chief Executive Officer  
Kansas City Board of Trade  
Kansas City, Mo.

**James T. Carr**

President and Chief Executive Officer  
National Association of  
Intercollegiate Athletics  
Kansas City, Mo.

**John C. Cozad**

President  
Cozad Company, LLC  
Platte City, Mo.

**Richard L. Finn**

Retired Senior Vice President, Finance  
Kansas City Life Insurance Company  
Kansas City, Mo.

**Nancy Bixby Hudson**

Investor  
Lander, Wyo.

**David S. Kimmel**

Chief Executive Officer  
CyberRiskPartners, LLC  
Rye, N.Y.

**Tracy W. Knapp**

Senior Vice President, Finance  
Kansas City Life Insurance Company  
Kansas City, Mo.

**Cecil R. Miller, CPA**

Retired Partner  
KPMG, LLP  
Kansas City, Mo.

**Mark Milton, FSA, CERA, MAAA**

Senior Vice President and Actuary  
Kansas City Life Insurance Company  
Kansas City, Mo.

**William A. Schalekamp,**

JD, CLU, FLMI  
Retired Senior Vice President, General  
Counsel and Secretary  
Kansas City Life Insurance Company  
Kansas City, Mo.

**CORPORATE HEADQUARTERS**

Kansas City Life Insurance Company  
 3520 Broadway  
 Post Office Box 219139  
 Kansas City, MO 64121-9139  
 Telephone: 816-753-7000  
 Fax: 816-753-4902  
 Website: [www.kclife.com](http://www.kclife.com)  
 Email: [kclife@kclife.com](mailto:kclife@kclife.com)

**ANNUAL MEETING**

The annual meeting of stockholders will be held at 9 a.m. on Thursday, April 21, 2016, at Kansas City Life Insurance Company's corporate headquarters. Please see the Notice of Annual Meeting and Proxy.

**TRANSFER AGENT**

Janice Poe, Stock Agent and Assistant Secretary  
 Kansas City Life Insurance Company  
 Post Office Box 219139  
 Kansas City, MO 64121-9139

**ANNUAL FINANCIAL REPORT REQUEST**

The Company's Annual Financial Report is available electronically on the Company's website ([www.kclife.com/Company/Financials](http://www.kclife.com/Company/Financials)) and the OTCQX website ([www.otcmarkets.com/stock/KCLI/filings](http://www.otcmarkets.com/stock/KCLI/filings)). Stockholders may request a free paper copy of Kansas City Life's Annual Financial Report, as published on the OTCQX best marketplace, by writing to Secretary, Kansas City Life Insurance Company.

**SECURITY HOLDERS**

As of January 31, 2016, Kansas City Life had approximately 201 holders of record.

**Please refer to the Company's Annual Financial Report, available on the Company's website ([www.kclife.com/Company/Financials](http://www.kclife.com/Company/Financials)) or the OTCQX website ([www.otcmarkets.com/stock/KCLI/filings](http://www.otcmarkets.com/stock/KCLI/filings)).**

The following table presents the high and low prices for the Company's common stock for the periods indicated and the dividends declared per share and paid during such periods. The Company's common stock is traded on the OTCQX best marketplace under the symbol "KCLI."

	High	Low	Dividend Paid
2015:			
First quarter	\$ 48.03	\$ 45.11	\$ 0.27
Second quarter	46.19	43.92	0.27
Third quarter	48.30	42.53	0.27
Fourth quarter	50.81	38.29	0.27
			<u>\$ 1.08</u>
2014:			
First quarter	\$ 50.62	\$ 43.60	\$ 0.27
Second quarter	48.68	40.62	0.27
Third quarter	46.99	43.29	0.27
Fourth quarter	49.82	43.90	0.27
			<u>\$ 1.08</u>

A quarterly dividend of \$0.27 per share was paid February 10, 2016.

The high and low market quotations are compiled according to Company records and may reflect inter-dealer prices, without markup, markdown or commission and may not necessarily represent actual transactions.



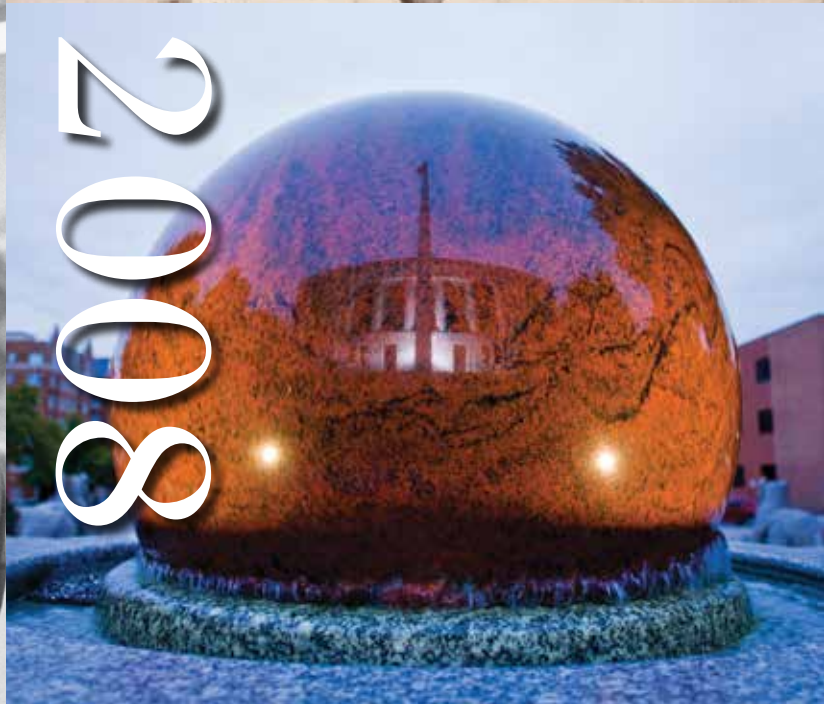
1962



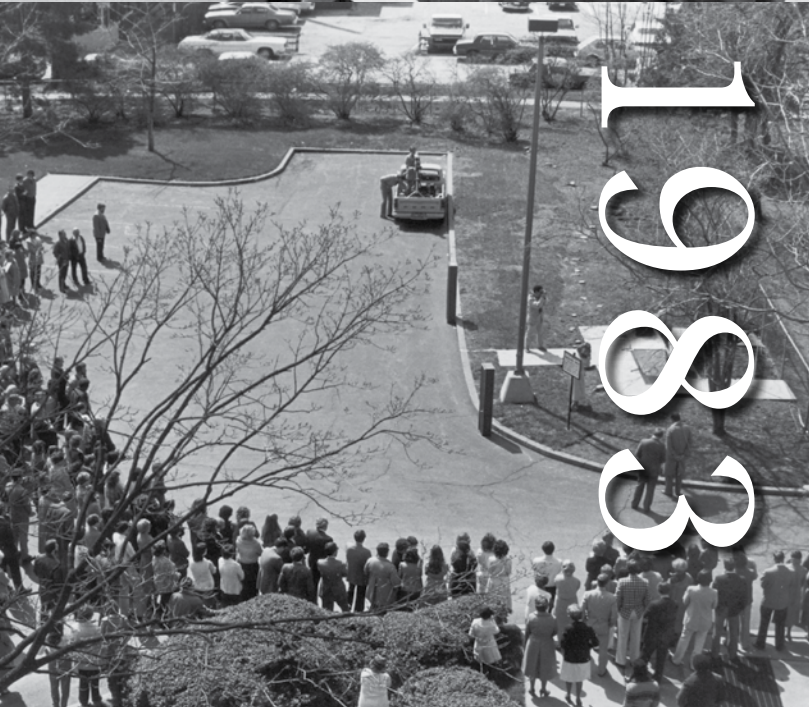
1995



1971



2008



1983



2015



KANSAS CITY LIFE

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